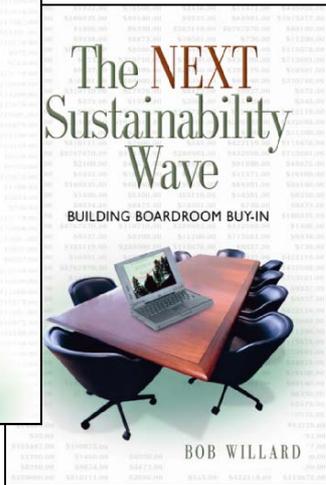
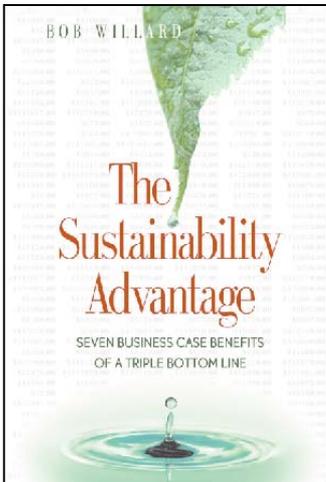


The Triple Bottom Line

Sustainable Growth Strategies that Produce Financial, Environmental, and Social Viability



2007 AURP Conference
St. Louis
Oct. 24-26, 2007



Corporate Sustainability 3-Legged Stool

Sustainability – Sustainable Development (SD)

Environmental, Social, Governance (ESG)

Corporate Social Responsibility (CSR)

Corporate Responsibility (CR)

Triple Bottom Line (TBL) – 3Es – 3Ps

Economy - Profits

Growth, Jobs, Taxes

Products

Services



Environment - Planet

Eco-efficiencies

Eco-effectiveness

Restorative

Equity - People

Employees

Community / Culture

World

Smart Business 3-Legged Stool

Asset Management

Financial
Capital

Built
Capital



Natural
Capital

Human
Capital

Social
Capital

5-Stage Sustainability Journey

5. Purpose/Passion

Values-driven founder / CEO

4. Integrated Strategy

Enhanced business value



3. Beyond Compliance

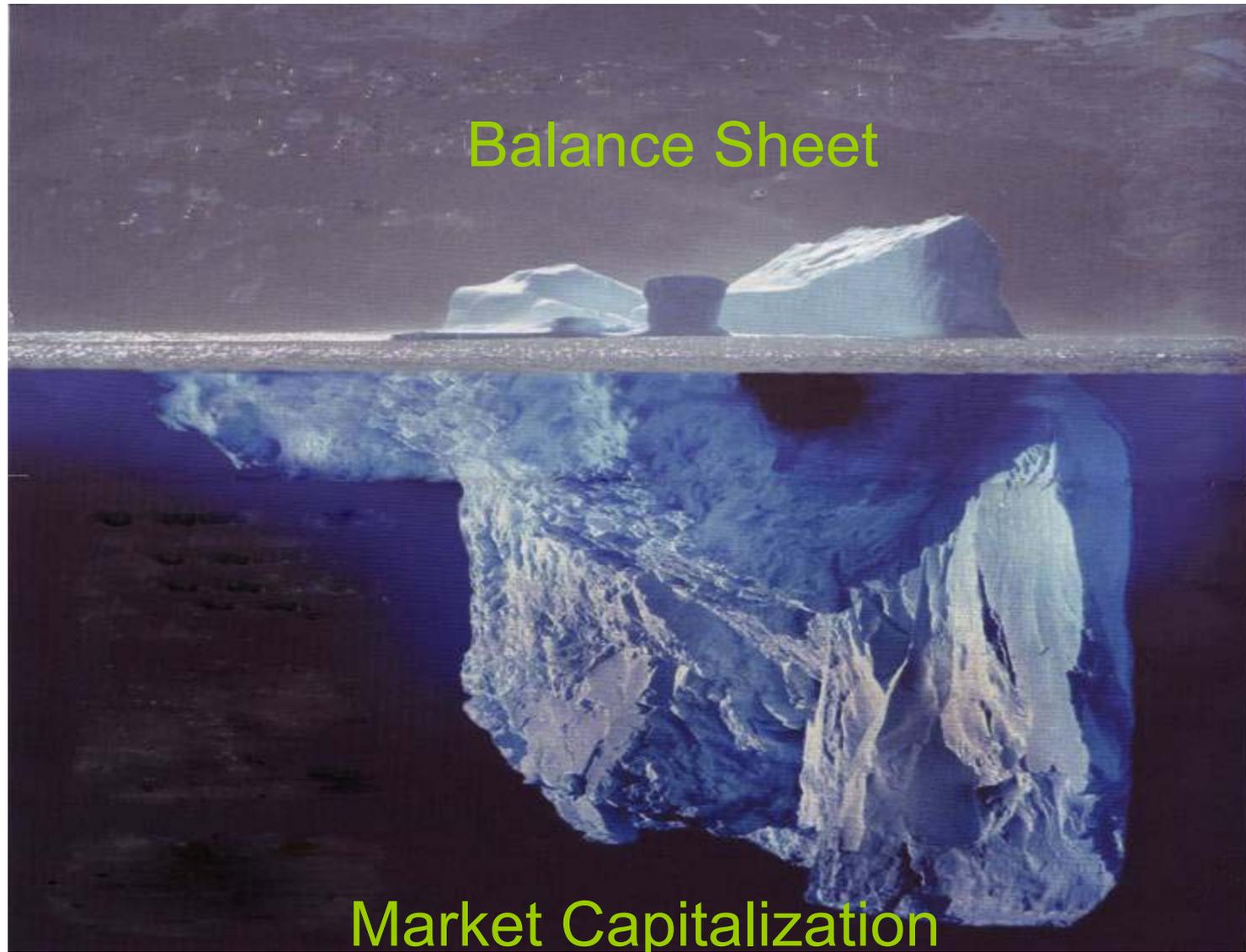
Eco-efficiencies /
PR crisis /
Regulatory threat

2. Compliance

Regulatory enforcement

1. Pre-Compliance

Company Value “Iceberg”



Market Capitalization

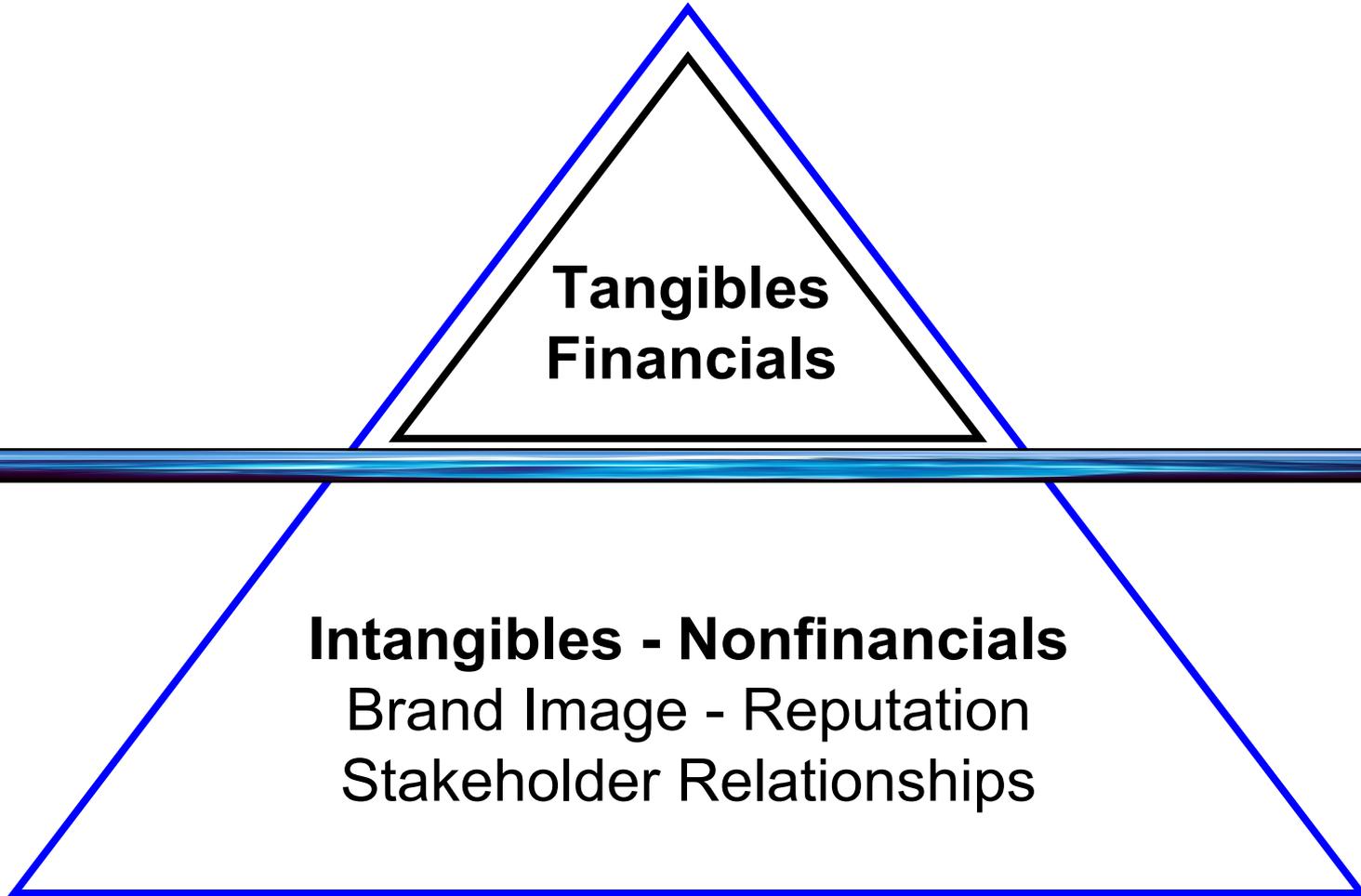
Company Value “Iceberg”

Balance Sheet

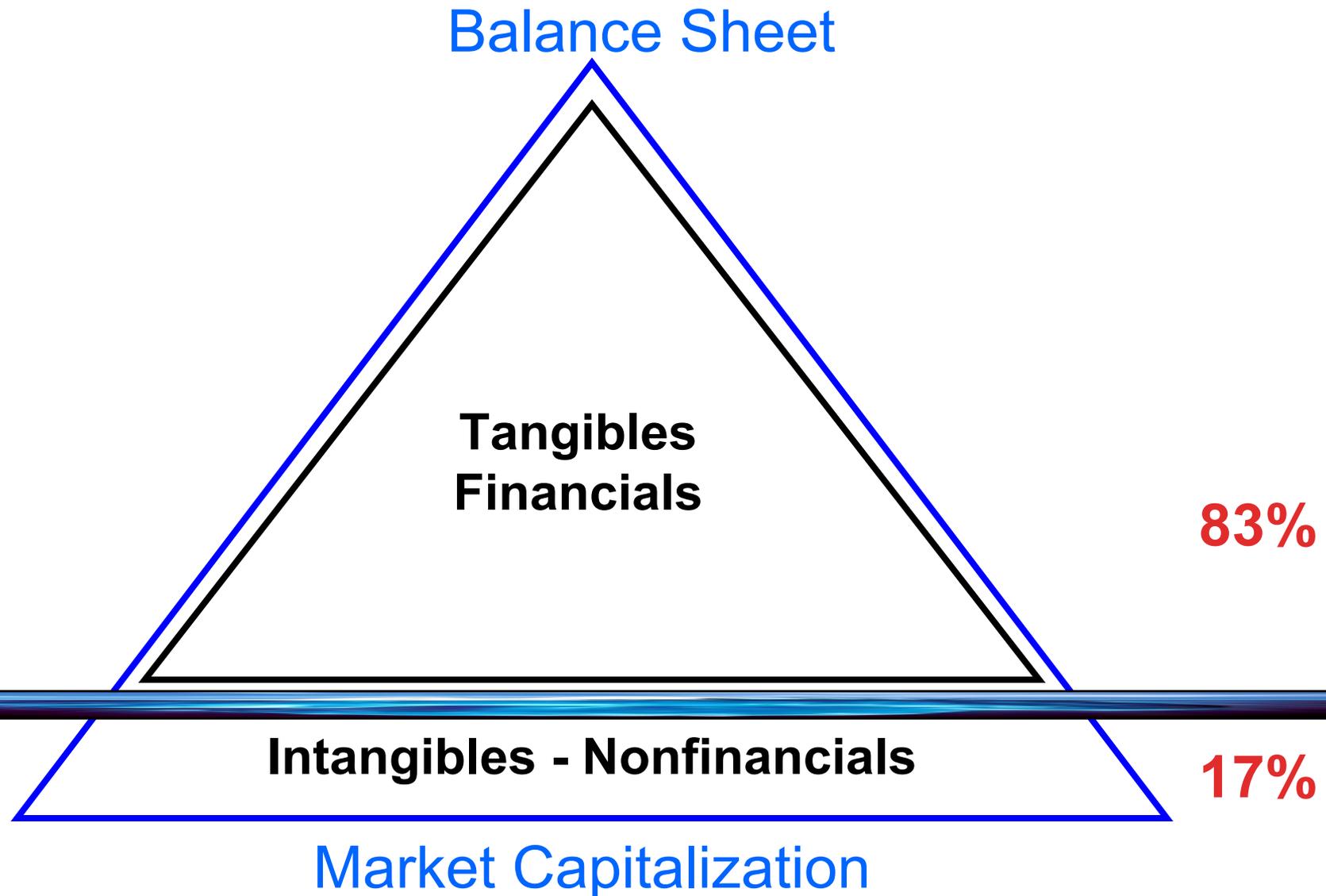
**Tangibles
Financials**

Intangibles - Nonfinancials
Brand Image - Reputation
Stakeholder Relationships

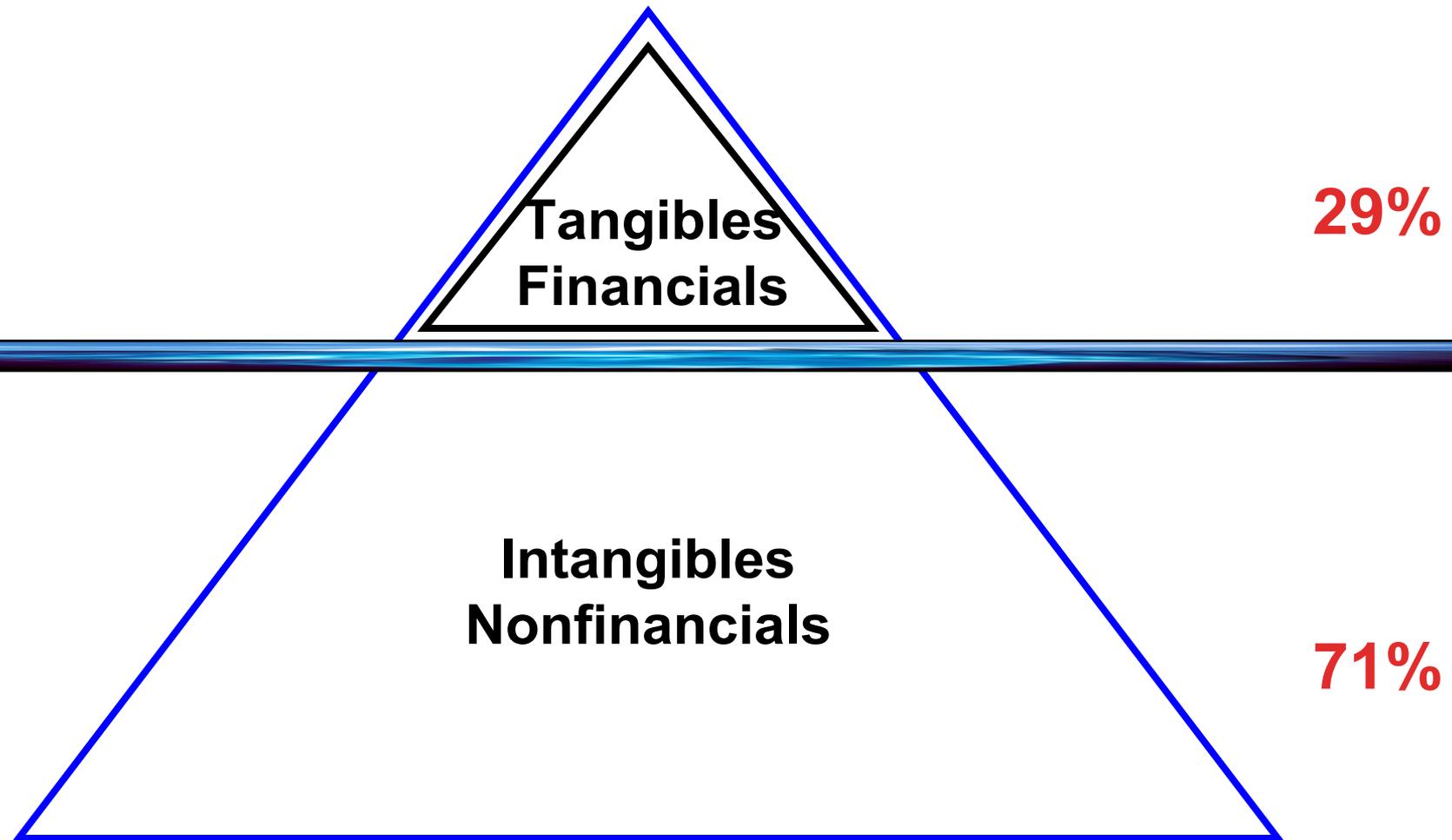
Market Capitalization



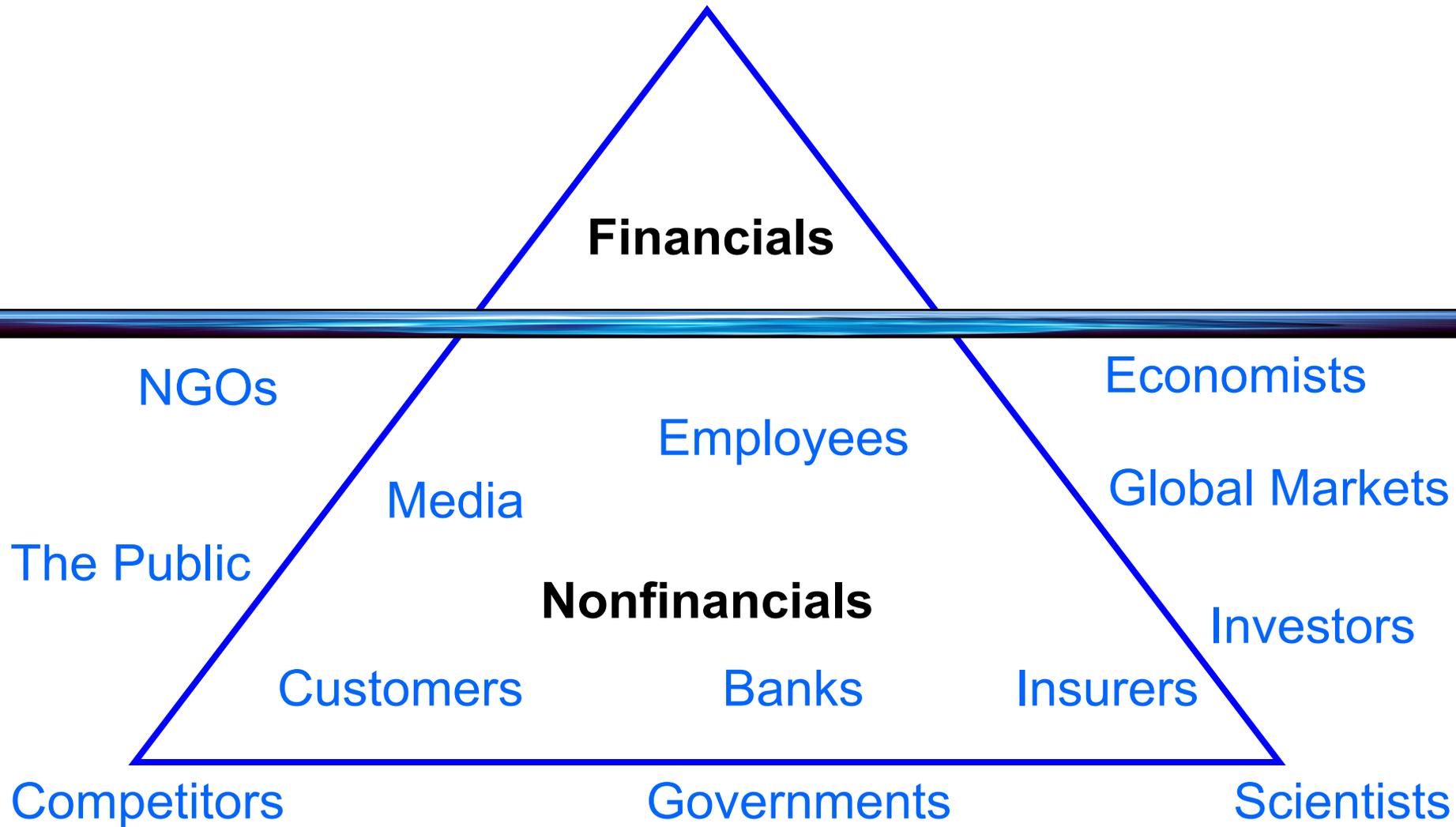
Company Value “Iceberg”: 1981



Company Value “Iceberg”: 1998



Sea of Demanding Stakeholders



Two-Part Business Case

OPPORTUNITIES

Financials

NGOs

Economists

Employees

Media

RISKS

Global Markets

The Public

Nonfinancials

Investors

Customers

Banks

Insurers

Competitors

Governments

Scientists

The Perfect Storm

Oct. 27 – Nov. 1, 1991

1. Hurricane **Grace** (former)
2. Cold front from Great Lakes
3. Warm front from Sable Island

Fed on each other's energies

Worst storm in history ... 100' waves
Sudden, unexpected, devastating

v

Mega-Issue Storm Clouds

Pollution & Health

Other ...

Climate Crisis

Water Crisis

Pandemics

Erosion of Trust

Energy Crisis

NGOs

Economists

Employees

Media

RISKS

Global Markets

The Public

Investors

Customers

Banks

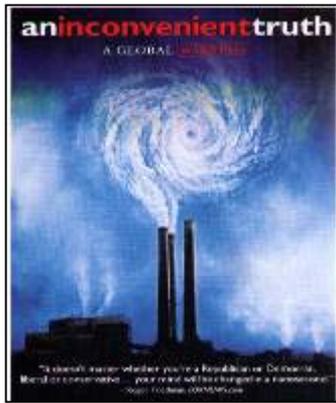
Insurers

Competitors

Governments

Scientists

Awakened Public - Consumers



The “Goracle factor”

+ Hurricane Katrina (\$125B, 1,833 deaths)

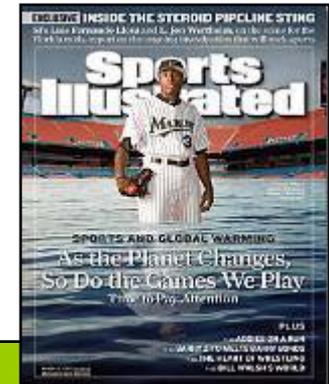
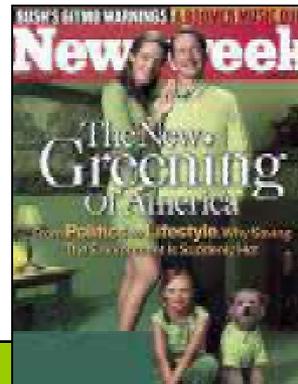
+ Weird weather globally

+ Rising gas prices + IPCC reports + ...

70-80% of consumers say are switching to “green” companies

20% actually did in 2006;

LOHAS sector: \$200B in 2007; \$420B by 2010; \$845B by 2015



The Debate is Over ...

Positive proof of global warming.



**18th
Century**

1900

1950

1970

1980

1990

2006

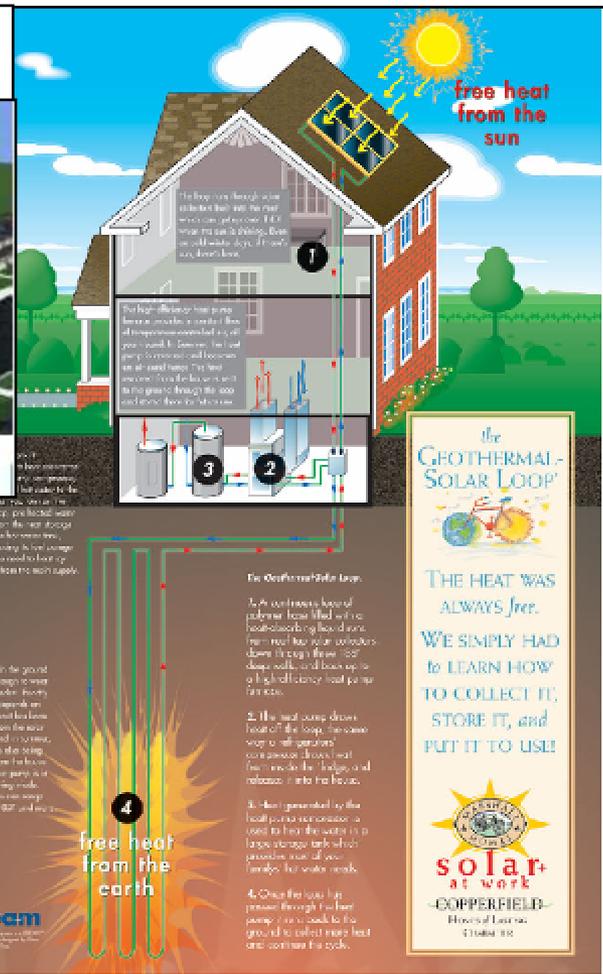
Sustainable Building is "Hot"

Green Homes Save Money, Make Owners Happier

GreenerBuildings.com



Drake Landing Solar Community



Corporate America Embraces Green Practices, Study Shows

GreenBiz.com



VANCOUVER VALUATION ACCORD

94% of Americans prefer to work in 'green' buildings
(Mortgage Lenders Network, 2006)

Green Building Costs / Benefits

Buildings represent approximately 40% of primary energy use

Costs of “green” building are often overestimated by 300%:
17% premium vs. 2-5% premium

(2007 global survey of 1,400 building professionals by WBCSD)

By 2020, CO₂ emissions from building energy use can be reduced by 29% at no additional cost

(IPCC Fourth Assessment Report, 2007)

Existing technologies combined with common sense design can increase energy efficiency by 35% and reduce heating costs by 80% for the average building.

(United Technologies Corporation CEO, George David)

Colleges' & Universities' Leadership

American College & University Presidents Climate Commitment

420 U.S. colleges and universities in 45 states

Plan to eliminate campus GHG emissions

LEED Silver+ for new campus construction

Purchase only Energy Star-certified products

Offset GHGs from school-funded air travel

Encourage public transit use; purchase renewable energy

Support shareholder sustainability resolutions in endowment
companies

Net Impact

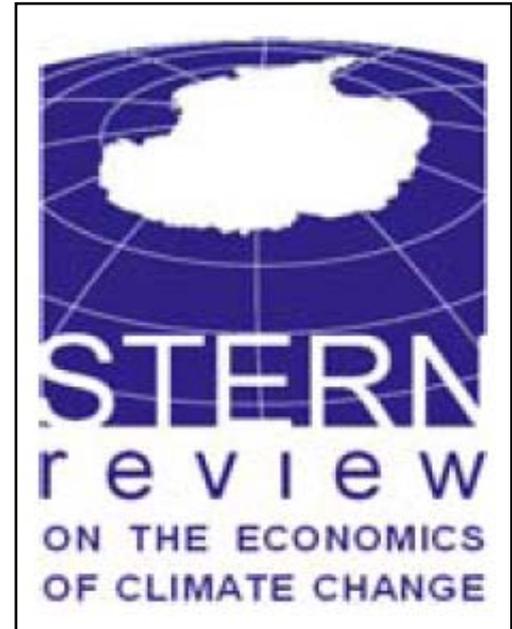
10,000 MBA students and professional members

Chapters in 100 universities in 80 cities on 6 continents

Stern Review Report, Oct. 2006

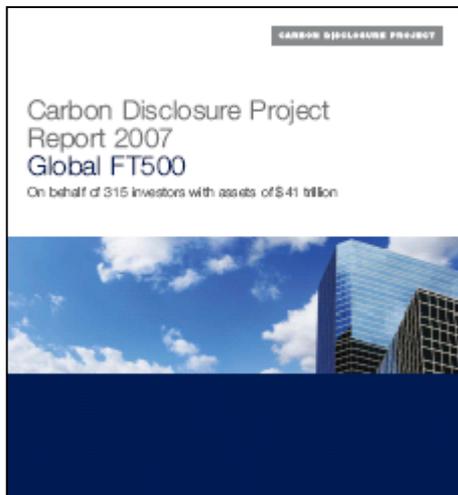
Former World Bank chief economist, Nicholas Stern
quantified warnings in the 1997
Economists' Statement on Climate Change

- 1. Cost of climate change mitigation:**
1% of annual global GDP by 2050
if we act now; 5-20% if we act later
- 2. Benefits of \$2.5T** if we act now;
global depression if we do nothing
- 3. Must stabilize GHGs:**
Use carbon taxes and / or
a cap-and-trade system;
deploy low-carbon technologies;
remove barriers to energy efficiency



Carbon Disclosure Project

Q. Commercial, regulatory, or physical **risks to value from climate change**? Opportunities? Strategies?



	2003	2006	2007
Institutional Investors	35	225	315
Value of Assets Held	\$4.5T	\$31T	\$41T
Companies Surveyed	FT500	1,800	2,400

A. Carbon-intensive **manufacturers** could lose **40%** of their market value; **Banks** could lose **29%** of value

Investor Network on Climate Risk (INCR)

65 institutional investors, \$4T in assets



Asked SEC to require listed companies to **disclose climate change risks** in their financial performance (June 06);

Climate Watch List of worst 10 GHG emitter companies got shareholder resolutions on climate change (Feb 07);

Capital to Capitol report: Request that Congress **cut GHGs 60-90% below 1990 levels by 2050** (Mar 07)

European Union Leadership

Pollution & health regulations

Restriction on Hazardous Substances (RoHS)

Waste from Electrical and Electronic Equipment (WEEE)

End of Life Vehicles Directive (ELVD)

Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

Energy-using Products (EuP)

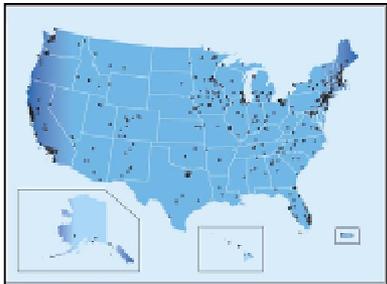
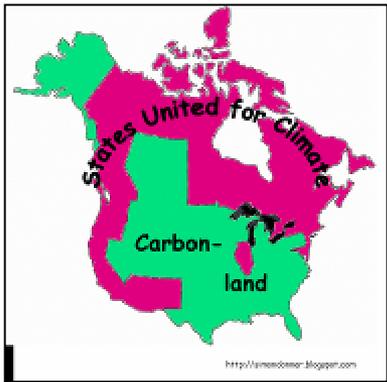
Climate Change Plan

Reduce CO2 20% below 1990 level by 2020

Big retailers taking action



US Position on Climate Change?



- **10 States:** Suing Feds for lax fuel efficiency standards; 30% less CO₂ from cars by 2009
- **5 West-coast States:** Western Regional Climate Action Initiative
- **10 East-coast States:** Regional Greenhouse Gas Initiative (RGGI)
- **600+ US Cities:** Climate Protection Agreement = Kyoto at city level; -7% from 1990 GHG levels
- **Big Corporations:**   
- **US Climate Action Partnership (USCAP):** 31 corps and NGOs; \$2T revenue; want cap-and-trade, 15% GHG cut in 15 years; 60-80% GHG cut by 2050

Unusual Drivers of Sustainability

National Security

Alternative energy: \$6B sector in US by 2008; \$167B by 2015

War for Talent

Sustainability reputation:

70% of NA grads seek companies with good CSR reputations

Revenue Pressure

Carbon trading: \$29.8B global market in 2006; set to double in 2007

Sarbanes Oxley

Sustainability reporting:

Global Reporting Initiative guidance on reporting risks
64% of Global 250 do sustainability reports

Two-Part Business Case

OPPORTUNITIES

Financials

NGOs

Economists

Employees

Media

RISKS

Global Markets

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Insurers

Competitors

Governments

Scientists

One More Goal ... or an Enabling Strategy?

Profit

Innovation

Share price

Speed to market

Growth

New markets

Revenue

Talent wars

Customer care

Productivity

Expense savings

Motivation

Competition

Brand image

Market share

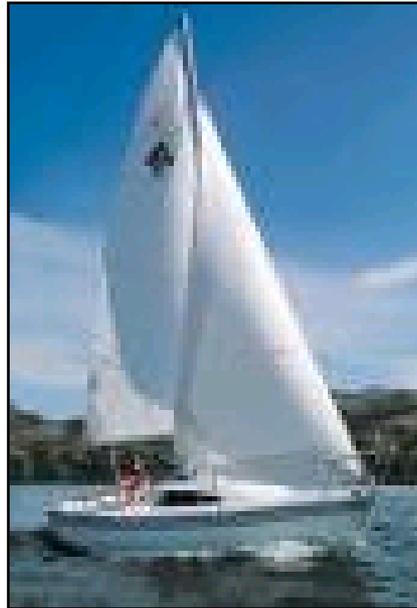
Managing risks

Leadership

Compliance

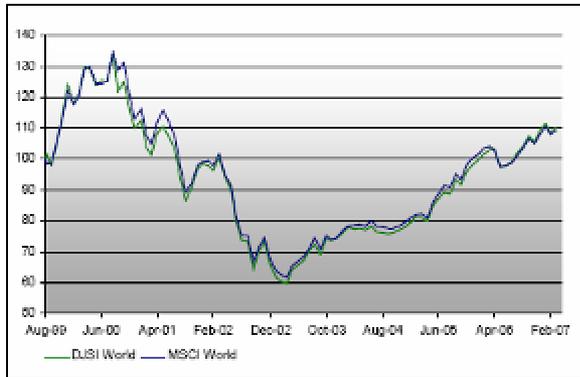
Governance

Supply security

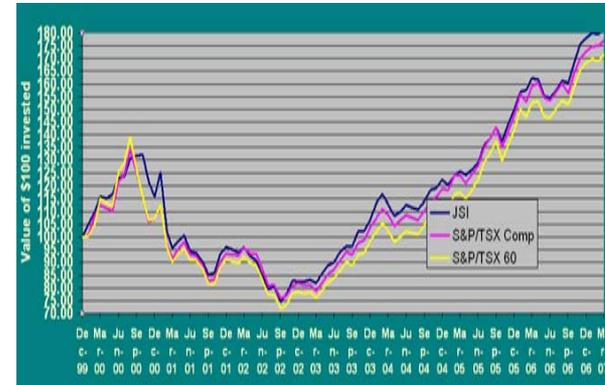


Sustainability Investing is Not a Sacrifice

Sustainability indices equal or outperform the market:
DJSI, Jantzi, FTSE4GOOD



DJSI



Jantzi Social Index

SRI Funds Growing

US SRI assets grew **258%** from 1995 to **\$2.3T** in 2005

Freshfields Report

Dispels the myth that laws prevent fiduciaries from considering CSR issues; in fact, the law sometimes requires them to

Typical Large Company Benefits

Revenue	\$44,000,000,000
Profit	\$3,000,000,000
Workforce	120,000
Avg. Employee Salary	\$60,000
Avg. Manager Salary	\$70,000

Potential profit increase: +38%

- + Energized employees + Improved corporate image
- + Competitive advantage + Positioned for the future



Lead It Like Any Culture Change

1. **Walk the talk** as senior leaders

Integrate into vision - mission – strategies

Business strategy vs. philanthropy

Avoid “green-washing” hype

2. **Educate** the whole company

Solicit employee ideas - help

3. **Align** with measurement & reward systems



7 Benefit Areas

1. Reduced recruiting costs
2. Reduced attrition costs
3. Increased employee productivity

4. Reduced expenses in manufacturing
5. Reduced expenses at commercial sites

Usual
focus

6. Increased revenue - market share
7. Lower insurance & borrowing costs

... yielding a profit increase of **+38%**



Potential Improvements

1. Reduced recruiting costs -1%
2. Reduced attrition costs -2%
3. Increased employee productivity +10%
4. Reduced expenses in manufacturing -5%
5. Reduced expenses at commercial sites -20%
6. Increased revenue - market share +5%
7. Lower insurance & borrowing costs -5%

... yielding a profit increase of +38%



What if ... ?

- | | |
|---|--------------------|
| 1. Reduced recruiting costs | -1% |
| 2. Reduced attrition costs | -2% |
| 3. Increased employee productivity | +10% |
| 4. Reduced expenses in manufacturing | -5% |
| 5. Reduced expenses at commercial sites | -20% |
| 6. Increased revenue - market share | +5% +2% |
| 7. Lower insurance & borrowing costs | -5% |

... yielding a profit increase of ~~+38%~~
+35%



What if ... ?

1. Reduced recruiting costs -1%
2. Reduced attrition costs -2%
3. Increased employee productivity ~~+10%~~ +4%
4. Reduced expenses in manufacturing -5%
5. Reduced expenses at commercial sites -20%
6. Increased revenue - market share +5%
7. Lower insurance & borrowing costs -5%

... yielding a profit increase of ~~+38%~~
+23%



What if ... ?

- | | |
|---|---------------------|
| 1. Reduced recruiting costs | -1% |
| 2. Reduced attrition costs | -2% |
| 3. Increased employee productivity | +10% +4% |
| 4. Reduced expenses in manufacturing | -5% |
| 5. Reduced expenses at commercial sites | -20% |
| 6. Increased revenue - market share | +5% +2% |
| 7. Lower insurance & borrowing costs | -5% |

... yielding a profit increase of ~~+38%~~
+20%



Two-Part Business Case

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Scientists

The “Tipping Point”?

20%

5. Purpose/Passion

Values-driven founder / CEO

4. Integrated Strategy

Enhanced business value



3. Beyond Compliance

Eco-efficiencies/

PR crisis/

Regulatory threat

2. Compliance

Regulatory enforcement

1. Pre-Compliance

In Summary ...

Sustainability is **smart business**

New **market forces - risks** are in play

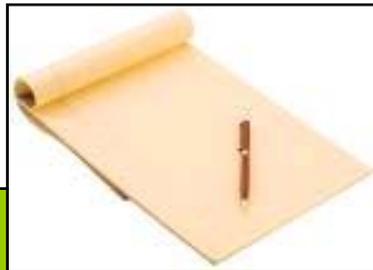
Public **expectations** are rising

Talk **business language**

Show **relevance to existing priorities**

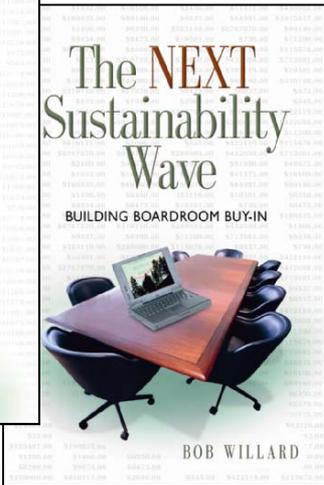
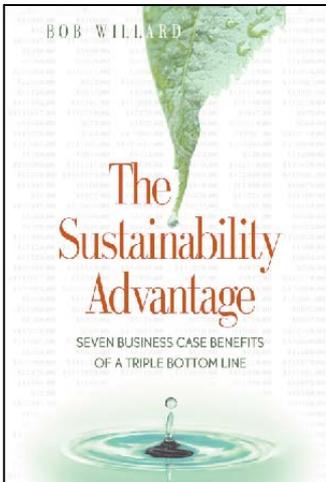
You are **not alone**; find partners

Opportunity for **leadership**



The Triple Bottom Line

Sustainable Growth Strategies that Produce Financial, Environmental, and Social Viability



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